

# IRS



## Fact Sheet

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### 2001 ADVANCE PAYMENTS

#### BACKGROUND

The Economic Growth and Tax Relief Reconciliation Act of 2001 approved by Congress and signed by President Bush directs the Treasury to send checks to most income taxpayers this year, giving them an advance payment of a 2001 tax credit. This is a reduction of tax and is not taxable income on the federal tax return.

The Internal Revenue Service will automatically process these advance payments after taxpayers have filed their returns for Tax Year 2000. Taxpayers will not have to complete applications, file any extra forms, or call the IRS to request their payments.

#### WHO WILL GET AN ADVANCE PAYMENT

In general, individuals who had a federal income tax liability for 2000 and who could not be claimed as a dependent on someone's else's tax return are eligible for a 2001 advance payment this year. You had a liability if your tax was greater than the amount of your nonrefundable credits, such as the child tax credit, education credits or child care credit. Refundable credits – such as the earned income tax credit – are not a factor in determining eligibility or computing the credit or the advance payment.

Nonresident aliens and those who could be claimed as dependents are not eligible for these advance payments. Those who did not have an income tax liability will not receive an advance payment.

Individuals who did not have an income tax liability for 2000 but who have one for 2001 will be able to claim the tax credit on their 2001 return, provided they are otherwise eligible. Taxpayers whose advance payment is less than the credit amount figured on their 2001 tax return will be able to claim the rest of the credit when they file their 2001 return. Taxpayers whose advance payment is larger than the credit amount figured on the 2001 tax return will not have to pay back any difference.

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## 2001 ADVANCE PAYMENT AMOUNT

The 2001 advance payment amount is a maximum of \$300 for a single taxpayer, \$500 for a head of household, and \$600 for a married couple filing a joint return. Most taxpayers will get the full amount as an advance payment this year; some will have it split between this year and next; and some may get all of it as a credit on the 2001 tax return.

This year's advance payment will be five percent of the taxable income shown on the 2000 tax return, subject to the limits described above. This income amount is on:

Form 1040 – line 39	Form 1040EZ – line 6
Form 1040A -- line 25	TeleFile Tax Record -- line K.

However, the payment cannot be more than the person's tax liability minus any nonrefundable credits. This amount is on:

Form 1040 – line 51	Form 1040EZ – line 10
Form 1040A -- line 33	TeleFile Tax Record -- line K.

If a taxpayer's advance payment is less than the maximum dollar amount for his or her filing status, that person may be able to claim a credit on the 2001 return, up to the difference between the allowable amount and the payment already received.

Example 1. You are single, not able to be claimed as a dependent by anyone, had a 2000 taxable income of \$4,000 and claimed no tax credits. You would receive an advance payment of \$200 this year – 5 percent of \$4,000. If your taxable income for 2001 rises to at least \$6,000, you could claim an additional credit of \$100 next year (\$300 total credit, minus \$200 paid in 2001).

Example 2. You and your spouse file jointly and have two children who qualify for the child tax credit. Your 2000 taxable income was \$45,000 and your tax liability was \$5,907 after subtracting a child tax credit of \$1,000. Five percent of \$45,000 is \$2,250, so your advance payment is limited to the \$600 maximum. Since this is less than your tax liability, you will receive your full 2001 credit as an advance payment this year.

Example 3. You are a head of household with taxable income of \$9,350 for 2000. You claimed a \$500 child tax credit and a \$556 child care credit for one qualifying child, leaving you a tax liability of \$350. You also claimed an earned income tax credit (EITC) of \$957, but this refundable credit does not affect the 2001 credit calculation. Five percent of \$9,350 is \$468, which is \$118 more than your tax liability, so your refund is limited to \$350, the amount of your tax liability. If your taxable income for 2001 rises to at least \$10,000 and your tax liability rises to at least \$500, you would be able to claim an additional credit of \$150 on your 2001 return.

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The advance payment will be reduced because of any outstanding government debt, such as back taxes, or a student loan, or because of past-due child support obligations. In such a case, the IRS will send the person an explanation of the offset. If the advance payment amount is larger than the debt, the taxpayer will get a check for the difference. If the full advance payment is applied to the debt, the taxpayer will not receive any check.

#### TIME FRAME FOR MAILING 2001 ADVANCE PAYMENT CHECKS

Because any bank account information provided by the taxpayer when filing the tax return may no longer be applicable, the Treasury will not send the advance payments by direct deposit. Nor will taxpayers be able to request direct deposit of these payments.

It will take the Treasury about three months to mail checks to those who have already filed their 2000 Federal tax returns. By mid-July, the IRS will send taxpayers a letter describing the amount of the advance payment check, the week it will be sent, and the possibility of an offset for an outstanding debt. Recipients should keep the letter for reference when completing their 2001 returns. The IRS will also send a letter of explanation to taxpayers who are not eligible for the payment.

Taxpayers who have moved since filing their last tax return should receive the IRS letter and the check if they have filed a change of address with the U.S. Postal Service or the IRS. Under procedures instituted earlier this year, the IRS uses the Postal Service's National Change of Address database to update its own taxpayer address files weekly. Taxpayers may also notify the IRS directly by filing Form 8822, "Change of Address," which is available on the IRS Web site, [www.irs.gov](http://www.irs.gov).

Generally, the last two digits of the taxpayer's social security number will determine when the checks are mailed, so a person may get a check at a different time than a neighbor or even other family members.

<b><u>If the last two digits of your Social Security number are:</u></b>	<b><u>You should receive your check the week of:</u></b>
00 – 09	July 23
10 – 19	July 30
20 – 29	August 6
30 – 39	August 13
40 – 49	August 20
50 – 59	August 27
60 – 69	September 3
70 – 79	September 10
80 – 89	September 17
90 – 99	September 24
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For married taxpayers who filed a joint return, the first Social Security number on the return will determine the mailing date for the advance payment check.

Taxpayers may check the IRS Web site for the general advance payment mailout schedule. By the end of June, the IRS TeleTax system – at 1-800-829-4477 – will have recorded information on the mailout schedule and the steps for figuring the advance payment amount.

Those who have not yet filed a tax return for 2000 will not get any 2001 advance payment check until the IRS processes the 2000 tax return. The sooner taxpayers file their returns, the sooner they will receive any advance payment to which they are entitled. These taxpayers should not make any changes or adjustments to the 2000 tax return because of an expected advance payment. If they fail to fully pay any balance due to reflect an expected payment, they will owe interest and a late payment penalty on that 2000 balance due.

The law states that Treasury may not send out any advance payments after December. Taxpayers who do not file their 2000 tax returns in time for an advance payment this year may claim a credit, to the extent they qualify for it, on their 2001 tax returns.

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